

**COLLINS-MAXWELL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-14
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 23
Statement of Cash Flows	H 24
Notes to Financial Statements	25-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	32
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37-38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40-41
Schedule of Findings	42-43

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September, 2004 Election)

Bob Pritchard	President	2005
Lowell Crouse	Vice President	2006
Tom Kimberley		2004
Tony Sorenson		2004
Cindy Patterson		2006

(After September, 2004 Election)

Bob Pritchard	President	2005
Cindy Patterson	Vice President	2006
Lowell Crouse		2006
Tony Sorenson		2007
Mark Huntrods		2007

SCHOOL OFFICIALS

Doug Miller	Superintendent
Bonnie Mitchell	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
Collins-Maxwell Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Collins-Maxwell Community School District, Maxwell, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Collins-Maxwell Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated July 28, 2005 on our consideration of Collins-Maxwell Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 32 thru 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collins-Maxwell Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 25, 2005

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Collins-Maxwell Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,756,152 in fiscal 2004 to \$3,872,527 in fiscal 2005, while General Fund expenditures increased from \$3,687,194 in fiscal year 2004 to \$3,929,008 in fiscal 2005.
- The increase in General Fund revenues was attributable to increases in state funding and miscellaneous revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The General Fund balance decreased approximately 4% due to funding not keeping pace with expenditures.
- The local-option sales tax was voted and approved for Story County. 75% of the funds will be dedicated to reducing debt. The district's PPEL (Physical Plant and Equipment Levy) was solidly renewed to provide additional funding for the next ten years. These supports, along with careful management, should assist the Collins-Maxwell school in remaining on solid financial footing for the foreseeable future.
- Two additional special education paraprofessionals were employed to aid student learning at the secondary building and an associate was hired to assist with the needs of a secondary students.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

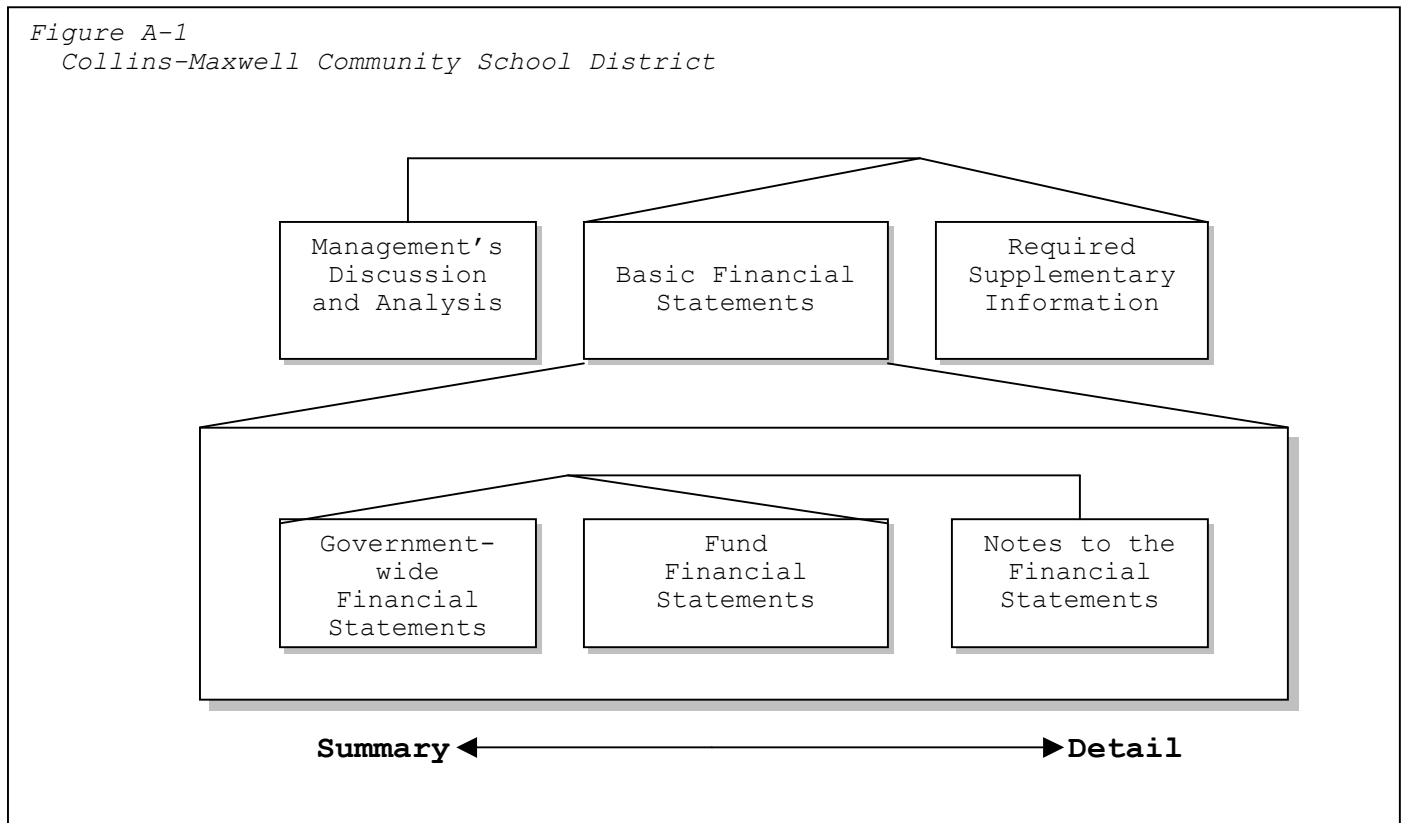


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	3,195	2,983	54	52	3,249	3,035	7.05%
Capital assets	<u>4,162</u>	<u>4,368</u>	<u>8</u>	<u>10</u>	<u>4,170</u>	<u>4,378</u>	<u>-4.75%</u>
Total assets	<u>7,357</u>	<u>7,351</u>	<u>62</u>	<u>62</u>	<u>7,419</u>	<u>7,413</u>	<u>0.08%</u>
Current liabilities	1,404	1,439	-	-	1,404	1,439	-2.43%
Non-current liabilities	<u>2,630</u>	<u>2,815</u>	<u>-</u>	<u>-</u>	<u>2,630</u>	<u>2,815</u>	<u>-6.57%</u>
Total liabilities	<u>4,034</u>	<u>4,254</u>	<u>-</u>	<u>-</u>	<u>4,034</u>	<u>4,254</u>	<u>-5.17%</u>
Net Assets							
Invested in capital assets, net of related debt	1,532	1,553	8	10	1,540	1,563	-1.47%
Restricted	449	189	-	-	449	189	137.57%
Unrestricted	<u>1,342</u>	<u>1,355</u>	<u>54</u>	<u>52</u>	<u>1,396</u>	<u>1,407</u>	<u>-0.78%</u>
Total net assets	<u>3,323</u>	<u>3,097</u>	<u>62</u>	<u>62</u>	<u>3,385</u>	<u>3,159</u>	<u>7.15%</u>

The District's combined net assets were smaller at June 30, 2005 than June 30, 2004. The decrease occurred as a combined result of decreased revenues and depreciation on capital assets.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	162	91	253
Operating grants, contributions and restricted interest	588	62	650
General revenues:			
Property tax	1,283	-	1,283
Income surtax	92	-	92
Local option sales tax	553	-	553
Unrestricted state grants	2,037	-	2,037
Unrestricted investment earnings	36	-	36
Other	22	-	22
Total revenues	<u>4,773</u>	<u>153</u>	<u>4,926</u>
Program expenses:			
Governmental activities:			
Instruction	2,736	-	2,736
Support Services	1,337	-	1,337
Non-instructional programs	-	154	154
Other expenses	474	-	474
Total expenses	<u>4,547</u>	<u>154</u>	<u>4,701</u>
Change in net assets	<u>226</u>	<u>(1)</u>	<u>225</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,773,289 and expenses were \$4,547,325.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,736	2,158
Support Services	1,337	1,320
Other expenses	<u>474</u>	<u>319</u>
Totals	<u>4,547</u>	<u>3,797</u>

- The cost financed by users of the District's programs was \$161,562.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$463,302.
- The net cost of governmental activities was financed with \$1,283,615 in property tax, \$2,036,521 in state foundation aid, and \$36,351 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$152,816 and expenses were \$153,345. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Collins-Maxwell Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 3,322,956, a seven percent increase under last year's ending fund balances of \$3,096,992. The majority of the increase resulted from the collection of the local option sales tax in Story County. Part of the proceeds from this tax was used to pay the District's General Obligation Bond annual payment.

Governmental Fund Highlights

- The District maintained its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.
- The use of sales tax money for debt reduction reduced property tax askings by over \$300,000.
- Four elementary classrooms and five secondary classrooms were repainted, as well as the ends of the gym.

- The west wall of the Maxwell lunchroom was remodeled to cover the openings where the fold-up lunch tables had been stored.
- Training for the two defibrillators was provided to staff and administration representing both buildings.
- New electronic ballasts and energy efficient lights were installed in the MS/HS.
- Cement work on the foundation, front stairs and a portion of sidewalks was completed on the school-owed rental property. Work was also completed on exterior weatherproofing (repair attic window, fix storm door, and repair and paint to 12 window casements). A new front door was installed. Basement stairs and second floor stair railings were made safe. A new first floor shower was set in place and missing plumbing was connected. The furnace was converted back to natural gas.
- The music boosters sponsored a charter bus trip to Cleveland for the band and chorus students. Along with the booster club, great support is afforded and opportunities provided to the students of the district.
- Landscaping was done at the secondary building and on the baseball and softball fields.
- A new water heater was installed in the Collins building.
- Attendance for the year was at 95% which is well above the state average. Graduation data indicates our rate to be 97%. The state goal is 90%.
- A new scholarship was donated in memory of Bill and Gene Atwood to be given annually.
- There was significant storm damage at the Maxwell building and grounds the second week of school. Assistance from the community was instrumental in cleaning up debris so school could be held the following day. Several trees had to be removed as a result of the storm.
- The Collins-Maxwell Community School District participated in the Rehab the Lab program, promoted by EMC, and eliminated many dangerous chemicals from the science labs and other areas of the secondary building. Additionally, used bulbs and ballasts were removed from the premises.
- To comply with the State Fire Marshall's requirements issued in May of 2004, two doors in custodial areas were replaced, a duct extinguishing system was installed in the Maxwell kitchen, an exhaust hood was mounted over the kiln and welders in the shop, and heat detectors were placed in required areas of both buildings. A Fire/Life (Safety) Grant was secured to pay for approximately \$25,000 of project costs.
- The food service inspector required the district to replace storage shelves and cabinets in Maxwell and revamp the base for the garbage dumpster outside the building.
- A part-time assistant principal was employed.
- New lockers have been installed in the lower level of the high school. Replaced lockers have been moved to the north hallway for student use.
- A new reading program was selected for implementation at the elementary. The program will be used on a limited basis in the middle school.
- A new secondary social studies program was adopted and purchased.
- New desks were purchased for the middle school math room.
- New band chairs have been delivered.

- Tuck-pointing, caulking, and weather-stripping work was completed on both buildings. Sealing and patching work was done on the capstone in Maxwell. The trim around the Collins gym was repaired and covered with metal siding to reduce future maintenance needs.
- P.I.E., the music boosters, and the booster club remain faithful supporters of our students and our educational and co-curricular programs. Their backing is greatly appreciated.
- Infield dirt was added to the baseball and softball fields.
- Ground was broken for the Story County Consortium vocational attendance center in Ames. Our students will benefit greatly from this facility.
- A new computer lab (30 machines) was purchased for the elementary as well as many individual units for teacher, secretary, and administrative use in both buildings. New hubs and servers were installed at the secondary building.
- The ceiling in the shop was painted in preparation for new lights to be installed.
- Eight new drafting tables and a new lunch table for Maxwell were purchased.
- Three of our math teachers and our curriculum director participated in E2T2, a math program through AEA 11. A grant of \$1,500 was earned through their participation that funded the purchase of calculators for the upper elementary and high school math departments.

Proprietary Fund Highlights

The School Nutrition Fund balance remained constant as revenues kept pace with expenses.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were \$108,074 greater than budgeted receipts, a variance of less than 2%. The most significant variance resulted from the District receiving miscellaneous revenues that were larger than anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$250,737.

The original cost of the District's capital assets was \$7,701,927. Governmental funds account for \$7,684,332, with the remainder of \$17,595 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 Condensed Statement of Net Assets (expressed in thousands)							
Governmental Activities		Business-type Activities		Total School District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2005	2004	2005	2004	2005	2004	2004-2005	
\$	\$	\$	\$	\$	\$		
Land	226	226	-	-	226	226	0.00%
Site improvements	99	112	-	-	99	112	-11.61%
Buildings	3,622	3,727	-	-	3,622	3,727	-2.82%
Furniture and equipment	214	303	10	10	224	313	-28.43%
Totals	4,161	4,368	10	10	4,171	4,378	-4.73%

Long-Term Debt

At June 30, 2005, the District had \$2,630,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (expressed in thousands)			
Total District		Total Change	
June 30,		June 30,	
2005	2004	2004-2005	
\$	\$		
General obligation bonds	2,630	2,815	-6.57%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax passed in Story County and money began to be received by the District in July of 2004. The majority of the District's students reside in Story County, thus passage there has the greatest financial impact on the District.

- The District has experienced declining enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bonnie Mitchell, Business Manager, Collins-Maxwell Community School District, 400 Metcalf St, Maxwell, IA 50161.

Basic Financial Statements

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,684,702	43,345	1,728,047
Receivables:			
Property tax:			
Current year	23,096	-	23,096
Succeeding year	1,386,783	-	1,386,783
Income surtax - succeeding year	42,040	-	42,040
Other receivables	59,136	-	59,136
Inventories	-	9,901	9,901
Capital assets, net of accumulated depreciation	4,161,507	8,267	4,169,774
Total assets	7,357,264	61,513	7,418,777
Liabilities			
Accounts payable	5,858	-	5,858
Accrued interest payable	11,667	-	11,667
Deferred revenue:			
Succeeding year property tax	1,386,783	-	1,386,783
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Portion due after one year:			
General obligation bonds payable	2,435,000	-	2,435,000
Total liabilities	4,034,308	-	4,034,308
Net assets			
Invested in capital assets, net of related debt	1,531,507	8,267	1,539,774
Restricted for:			
Management levy	88,422	-	88,422
Student activities	41,252	-	41,252
Physical plant and equipment levy	84,197	-	84,197
Debt service	642	-	642
Infrastructure	235,178	-	235,178
Unrestricted	1,341,758	53,246	1,395,004
Total net assets	3,322,956	61,513	3,384,469

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
	Charges for	Operating Grants, Contributions and Restricted	Governmental	Business-Type		
Expenses	Service	Interest	Activities	Activities	Total	
\$	\$	\$	\$	\$	\$	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	1,770,403	143,327	207,815	(1,419,261)	-	(1,419,261)
Special instruction	616,147	18,235	84,807	(513,105)	-	(513,105)
Other instruction	349,383	-	123,276	(226,107)	-	(226,107)
	2,735,933	161,562	415,898	(2,158,473)	-	(2,158,473)
Support services:						
Student services	74,809	-	1,917	(72,892)	-	(72,892)
Instructional staff services	271,000	-	-	(271,000)	-	(271,000)
Administration services	433,544	-	-	(433,544)	-	(433,544)
Operation and maintenance of plant services	390,412	-	15,813	(374,599)	-	(374,599)
Transportation services	167,615	-	-	(167,615)	-	(167,615)
	1,337,380	-	17,730	(1,319,650)	-	(1,319,650)
Other expenditures:						
AEA flowthrough	148,384	-	148,384	-	-	-
Long-term debt interest	148,886	-	-	(148,886)	-	(148,886)
Facilities acquisition and construction	10,562	-	6,345	(4,217)	-	(4,217)
Depreciation (unallocated)*	166,180	-	-	(166,180)	-	(166,180)
	474,012	-	154,729	(319,283)	-	(319,283)
Total governmental activities	4,547,325	161,562	588,357	(3,797,406)	-	(3,797,406)

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues				
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Expenses	Service				Total
\$	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Nutrition services	153,345	90,825	61,991	-	(529)
Total	4,700,670	252,387	650,348	(3,797,406)	(529)
General revenues:					
Property tax levied for:					
General purposes				1,114,374	-
Capital outlay				94,083	-
Management				75,158	-
Income surtax				91,585	-
School Infrastructure Local Option Sales Tax				553,220	-
Unrestricted state grants				2,036,521	-
Unrestricted investment earnings				36,351	-
Other				22,078	-
Total general revenue				4,023,370	-
Change in net assets				225,964	(529)
Net assets beginning of year				3,096,992	62,042
Net assets end of year				3,322,956	61,513

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,278,806	642	194,427	210,827	1,684,702
Receivables:					
Property tax:					
Current year	20,052	-	-	3,044	23,096
Succeeding year	1,219,246	-	-	167,537	1,386,783
Income surtax - succeeding year	42,040	-	-	-	42,040
Other receivables	18,385	-	40,751	-	59,136
Total assets	<u>2,578,529</u>	<u>642</u>	<u>235,178</u>	<u>381,408</u>	<u>3,195,757</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	5,858	-	-	-	5,858
Deferred revenue:					
Succeeding year property tax	1,219,246	-	-	167,537	1,386,783
Succeeding year income surtax	42,040	-	-	-	42,040
Total liabilities	1,267,144	-	-	167,537	1,434,681
Fund balances:					
Reserved for debt service	-	642	-	-	642
Unreserved	1,311,385	-	235,178	213,871	1,760,434
Total fund equity and other credits	1,311,385	642	235,178	213,871	1,761,076
Total liabilities and fund balances	<u>2,578,529</u>	<u>642</u>	<u>235,178</u>	<u>381,408</u>	<u>3,195,757</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 1,761,076
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	42,040
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,161,507
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(11,667)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(2,630,000)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 3,322,956</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,163,919	-	553,220	169,240	1,886,379
Tuition	147,557	-	-	-	147,557
Other	72,435	-	6,345	118,710	197,490
State sources	2,398,879	-	-	11,207	2,410,086
Federal sources	89,737	-	-	-	89,737
Total revenues	3,872,527	-	559,565	299,157	4,731,249
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,758,090	-	-	8,943	1,767,033
Special instruction	616,147	-	-	-	616,147
Other instruction	249,845	-	-	99,538	349,383
	2,624,082	-	-	108,481	2,732,563
Support services:					
Student services	74,809	-	-	-	74,809
Instructional staff services	271,000	-	-	-	271,000
Administration services	433,544	-	-	-	433,544
Operation and maintenance of plant services	253,311	-	-	134,301	387,612
Transportation services	123,878	-	-	9,612	133,490
	1,156,542	-	-	143,913	1,300,455

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Expenditures (continued):					
Other expenditures:					
AEA flowthrough	148,384	-	-	-	148,384
Long-term debt:					
Principal	-	185,000	-	-	185,000
Interest	-	149,657	-	-	149,657
Facilities acquisition and construction	-	-	-	10,562	10,562
	<u>148,384</u>	<u>334,657</u>	<u>-</u>	<u>10,562</u>	<u>493,603</u>
Total expenditures	<u>3,929,008</u>	<u>334,657</u>	<u>-</u>	<u>262,956</u>	<u>4,526,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,481)</u>	<u>(334,657)</u>	<u>559,565</u>	<u>36,201</u>	<u>204,628</u>
Other financing sources(uses):					
Transfer from Capital Projects Fund	-	335,000		10,000	345,000
Transfer to Debt Service Fund	-	-	(345,000)	-	(345,000)
	<u>-</u>	<u>335,000</u>	<u>(345,000)</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(56,481)</u>	<u>343</u>	<u>214,565</u>	<u>46,201</u>	<u>204,628</u>
Fund balances beginning of year	<u>1,367,866</u>	<u>299</u>	<u>20,613</u>	<u>167,670</u>	<u>1,556,448</u>
Fund balances end of year	<u>1,311,385</u>	<u>642</u>	<u>235,178</u>	<u>213,871</u>	<u>1,761,076</u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ 204,628

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 42,040

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital activity for the year is as follows:

Acquisition of capital assets	44,262	
Depreciation expense	<u>(250,737)</u>	(206,475)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bonds	185,000
--------------------------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 771

Change in net assets of governmental activities (Exhibit B) \$ 225,964

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for services	90,825
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	60,101
Benefits	7,948
Supplies	83,830
Depreciation	1,466
Total operating expenses	153,345
Operating (loss)	(62,520)
Non-operating revenues:	
State sources	3,069
Federal sources	58,117
Interest income	805
	61,991
Changes in net assets	(529)
Net assets beginning of year	62,042
Net assets end of year	61,513

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	90,825
Cash payments to employees for services	(68,049)
Cash payments to suppliers for goods or services	<u>(78,806)</u>
Net cash (used in) operating activities	<u>(56,030)</u>
Cash flows from non-capital financing activities:	
State grants received	3,069
Federal grants received	<u>48,059</u>
Net cash provided by non-capital financing activities	<u>51,128</u>
Cash flows from investing activities:	
Interest on investments	<u>805</u>
Net (decrease) in cash and cash equivalents	(4,097)
Cash and cash equivalents beginning of year	<u>47,442</u>
Cash and cash equivalents end of year	<u><u>43,345</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(62,520)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,466
Commodities used	10,058
Decrease in inventory	<u>2,232</u>
	<u>(48,764)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>43,345</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$10,058.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The Collins-Maxwell Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Collins and Maxwell, Iowa, and agricultural area in Jasper, Marshall, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Collins-Maxwell Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Collins-Maxwell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>226,464</u>	<u>-</u>	<u>-</u>	<u>226,464</u>
Capital assets being depreciated:				
Site Improvements	255,127	-	-	255,127
Buildings	5,460,698	-	-	5,460,698
Furniture and Equipment	<u>1,697,781</u>	<u>44,262</u>	<u>-</u>	<u>1,742,043</u>
Total capital assets being depreciated	<u>7,413,606</u>	<u>44,262</u>	<u>-</u>	<u>7,457,868</u>
Less accumulated depreciation for:				
Site Improvements	143,539	12,712	-	156,251
Buildings	1,734,138	104,571	-	1,838,709
Furniture and Equipment	<u>1,394,411</u>	<u>133,454</u>	<u>-</u>	<u>1,527,865</u>
Total accumulated depreciation	<u>3,272,088</u>	<u>250,737</u>	<u>-</u>	<u>3,522,825</u>
Total capital assets being depreciated, net	<u>4,141,518</u>	<u>(206,475)</u>	<u>-</u>	<u>3,935,043</u>
Governmental activities, capital assets, net	<u>4,367,982</u>	<u>(206,475)</u>	<u>-</u>	<u>4,161,507</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	17,595	-	-	17,595
Less accumulated depreciation	<u>7,862</u>	<u>1,466</u>	<u>-</u>	<u>9,328</u>
Business type activities capital assets, net	<u>9,733</u>	<u>(1,466)</u>	<u>-</u>	<u>8,267</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instructional services:

Regular instruction

47,632

Support services:

Plant operation and maintenance

2,800

Transportation

34,125

Unallocated

166,180

250,737

Business Type activities:

Food service operations

1,466

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$141,366, \$138,147, and \$134,023 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$148,384 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Collins-Maxwell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$2,815,000
Additions	-
Reductions	<u>185,000</u>
Balance end of year	<u>\$2,630,000</u>

Bonded Debt

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.10%	\$ 195,000	140,008	335,008
2007	3.00	255,000	80,800	335,800
2008	3.00	260,000	73,150	333,150
2009	3.25	275,000	65,350	340,350
2010	3.25	280,000	56,413	336,413
2011	3.40	285,000	47,312	332,312
2012	3.40	295,000	37,623	332,623
2013	3.40	300,000	27,592	327,592
2014	3.55	310,000	17,393	327,393
2015	3.65	<u>175,000</u>	<u>6,387</u>	<u>181,387</u>
Total		<u>\$2,630,000</u>	<u>552,028</u>	<u>3,812,028</u>

(8) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	\$ 10,000
Debt Service	Capital Projects	<u>335,000</u>
		<u>\$345,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	2,171,912	91,630	2,263,542	2,129,187	2,129,187	134,355
State sources	2,410,086	3,069	2,413,155	2,415,232	2,415,232	(2,077)
Federal sources	89,737	48,059	137,796	162,000	162,000	(24,204)
Total receipts	4,671,735	142,758	4,814,493	4,706,419	4,706,419	108,074
Disbursements:						
Instruction	2,740,892	-	2,740,892	3,286,133	3,286,133	545,241
Support services	1,300,455	-	1,300,455	1,887,516	1,887,516	587,061
Non-instructional programs	-	146,855	146,855	192,124	192,124	45,269
Other expenditures	493,603	-	493,603	496,011	496,011	2,408
Total disbursements	4,534,950	146,855	4,681,805	5,861,784	5,861,784	1,179,979
Excess (deficiency) of receipts over (under) disbursements	136,785	(4,097)	132,688	(1,155,365)	(1,155,365)	1,288,053
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	136,785	(4,097)	132,688	(1,155,365)	(1,155,365)	1,288,053
Balance beginning of year	1,547,917	47,442	1,595,359	1,164,892	1,164,892	430,467
Balance end of year	1,684,702	43,345	1,728,047	9,527	9,527	1,718,520

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	4,671,735	59,514	4,731,249
Expenditures	4,534,950	(8,329)	4,526,621
Net	136,785	67,843	204,628
Other financing sources (uses)	-	-	-
Beginning fund balances	1,547,917	8,531	1,556,448
Ending fund balances	<u>1,684,702</u>	<u>76,374</u>	<u>1,761,076</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	142,758	10,058	152,816
Expenditures	146,855	6,490	153,345
Net	(4,097)	3,568	(529)
Beginning fund balances	47,442	14,600	62,042
Ending fund balances	<u>43,345</u>	<u>18,168</u>	<u>61,513</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	87,070	41,252	82,505	210,827
Property tax receivable:				
Current year	1,352	-	1,692	3,044
Succeeding year	<u>65,000</u>	<u>-</u>	<u>102,537</u>	<u>167,537</u>
Total assets	<u>153,422</u>	<u>41,252</u>	<u>186,734</u>	<u>381,408</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>65,000</u>	<u>-</u>	<u>102,537</u>	<u>167,537</u>
	<u>65,000</u>	<u>-</u>	<u>102,537</u>	<u>167,537</u>
Fund equity:				
Unreserved fund balance	<u>88,422</u>	<u>41,252</u>	<u>84,197</u>	<u>213,871</u>
	<u>88,422</u>	<u>41,252</u>	<u>84,197</u>	<u>213,871</u>
Total liabilities and fund equity	<u>153,422</u>	<u>41,252</u>	<u>186,734</u>	<u>381,408</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	75,158	-	94,082	169,240
Other	1,493	114,104	3,113	118,710
State sources	4,979	-	6,228	11,207
	<u>81,630</u>	<u>114,104</u>	<u>103,423</u>	<u>299,157</u>
Total revenues				
Expenditures:				
Instruction:				
Regular instruction	8,943	-	-	8,943
Co-curricular instruction	-	99,538	-	99,538
Support services:				
Plant operation and maintenance	37,317	-	96,984	134,301
Student transportation	9,612	-	-	9,612
Other expenditures:				
Facility acquisition and construction services	-	-	10,562	10,562
Total expenditures	<u>55,872</u>	<u>99,538</u>	<u>107,546</u>	<u>262,956</u>
Excess (deficiency) of revenues over (under) expenditures	25,758	14,566	(4,123)	36,201
Other financing sources(uses):				
Transfer from Capital Projects Fund	-	-	10,000	10,000
Excess of revenues and other financing sources over expenditures and other financing uses	25,758	14,566	5,877	46,201
Fund balances beginning of year	<u>62,664</u>	<u>26,686</u>	<u>78,320</u>	<u>167,670</u>
Balance end of year	<u>88,422</u>	<u>41,252</u>	<u>84,197</u>	<u>213,871</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	3,155	403	52	3,506
MS Plays	76	117	193	-
HS Plays	-	-	-	-
Drama	38	-	38	-
Vocal Music	1,395	2,444	1,641	2,198
Instrumental Music	1,403	534	642	1,295
Concert	1,081	-	-	1,081
CM Athletics	703	3,246	2,990	959
CMB Athletics	(15,095)	26,089	10,581	413
Boys Basketball	119	330	330	119
Football	-	4,329	4,329	-
Shared Wrestling	(3,309)	4,106	777	20
Youth Wrestling	116	-	-	116
Girls Basketball	295	1,622	1,330	587
Volleyball	-	3,128	3,128	-
Soccer	658	3,508	3,972	194
Softball	(68)	4,289	3,963	258
Girls Track	-	713	-	713
Class of 2007	482	-	-	482
Class of 2008	-	500	50	450
FFA	3,340	1,724	1,698	3,366
Class of 2004	192	-	192	-
Class of 2003	76	-	76	-
Class of 2005	629	-	629	-
Class of 2006	382	5,656	5,064	974
Dance Team	1,310	7,904	5,661	3,553
National Honor Society	47	393	436	4
HS Academic	1,321	-	-	1,321
HS Student Council	2,374	1,862	2,344	1,892
Ice Cream	1,320	-	23	1,297
MS Student Council	2,331	16,674	16,490	2,515
Post Prom Party	477	-	-	477
SADD	625	561	384	802
Springbrook	461	-	461	-
Vending	-	1,212	1,212	-
Yearbook	5,047	4,302	9,259	90

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Cheerleader	2,424	1,970	2,935	1,459
Book Fair	264	2,357	2,357	264
MS Library	1,481	-	1,481	-
Shop	1,133	459	623	969
K-4 Field Trips	16	267	283	-
5-12 Field Trips	1,003	-	1,003	-
Pepsi Caps	22	-	22	-
Spanish Club	466	-	-	466
Elementary	3,175	3,787	3,522	3,440
Pepsi	1,048	1,566	-	2,614
MPG Club	305	-	305	-
Volleyball	-	2,772	2,772	-
JH Cheerleading	74	-	-	74
Math and Science Club	93	-	-	93
Courtyard	384	100	403	81
Baseball	69	1,080	1,080	69
Scoreboards	3,748	4,100	4,807	3,041
Total	26,686	114,104	99,538	41,252

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
General	1,163,919	1,255,579	1,291,909	1,257,954
Special revenue/debt service	169,240	180,223	460,376	439,723
Capital projects	553,220	313,862	44,825	40,951
	<u>1,886,379</u>	<u>1,749,664</u>	<u>1,797,110</u>	<u>1,738,628</u>
State sources:				
General	2,398,879	2,205,284	2,176,005	2,088,049
Special revenue/debt service	11,207	3,657	229	361
	<u>2,410,086</u>	<u>2,208,941</u>	<u>2,176,234</u>	<u>2,088,410</u>
Federal sources:				
General	89,737	121,278	116,830	49,756
Total	<u>4,386,202</u>	<u>4,079,883</u>	<u>4,090,174</u>	<u>3,876,794</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Collins-Maxwell Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Collins-Maxwell Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Collins-Maxwell Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Collins-Maxwell Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Collins-Maxwell Community School District and other parties to whom Collins-Maxwell Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Collins-Maxwell Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 25, 2005

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation - We recommend that the District approve deposit amounts sufficient to cover the largest amount of deposits (including all funds) that the District may have on hand at anyone time.

Response - We will raise the approved deposit amounts.

Conclusion - Response accepted.

05-II-B Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the certified budget amount.

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

- 05-II-E Business Transactions - No business transactions between the District and District officials or employees.
- 05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.